

**REMARKS**

Applicants respectfully request reconsideration of the application.

On rehearing of the appeal, the Board interpreted the term "watermark" in claims 2, 9, 10, 12, 15 and 20 as not needing to be imperceptible (see, e.g., page 2, line 8 of the rehearing decision), and further, as encompassing both the "security object" and the "watermark" in Houser (see, e.g., page 3, lines 10-14 of the rehearing decision). The Board maintained that both Houser's "security object" and "watermark" correspond to the claimed "watermark" even though Houser's security object and watermark are distinctly different things. Just to recap, Houser's security object includes security information and an identifier inserted in an electronic document (Houser at col. 3, lines 55-60), and Houser's watermark is a visible graphic that is displayed when the document is displayed. The decision on rehearing at least clarifies that the Board has maintained this expansive interpretation.

The clarifications to claims 2, 9 and 10 prevent this correlation between the cited teachings of Houser and the use of "watermark" in these claims.

Claims 5, 7, 11 and 14 do not have a "watermark" limitation, but have other distinguishing elements relative to Houser. These claims are now amended in a manner that further defines the object identifier and differentiates it from the teachings in Houser that are alleged to correspond to it.

Other distinctions between the claims and the cited art are maintained, yet are not elaborated here since the above are sufficient to distinguish the cited art.

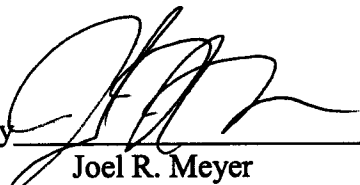
Date: December 26, 2006

CUSTOMER NUMBER 23735

Phone: 503-469-4800  
FAX 503-469-4777

Respectfully submitted,

DIGIMARC CORPORATION

By   
Joel R. Meyer  
Registration No. 37,677